

VZCZCXRO2797
OO RUEHCHI RUEHDT RUEHHM
DE RUEHML #3450/01 2290920
ZNR UUUUU ZZH
O 170920Z AUG 06
FM AMEMBASSY MANILA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2532
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS IMMEDIATE
RUEHBJ/AMEMBASSY BEIJING IMMEDIATE 5832
RHHMUNA/CDRUSPACOM HONOLULU HI IMMEDIATE
RUEKJCS/SECDEF WASHDC//OSD/ISA/AP// IMMEDIATE

UNCLAS SECTION 01 OF 02 MANILA 003450

SIPDIS

SENSITIVE
SIPDIS

STATE FOR H, EAP, AND EAP/MTS
USPACOM ALSO FOR FPA HUSO
SECDEF/OSD/ISA/AP FOR ALLEN

E.O. 12958: N/A
TAGS: [PREL](#) [PTER](#) [MOPS](#) [ECON](#) [EFIN](#) [BM](#) [AS](#) [BX](#) [RP](#)
SUBJECT: SENATOR INOUE MEETS WITH PRESIDENT ARROYO

REF: A. MANILA 3098
[1](#)B. MANILA 3401

[1](#)1. (SBU) Summary: President Arroyo presented Senator Inouye with the Philippines' highest award, the Order of Lakandula, on August 14 in recognition of his contributions to the U.S.-Philippines partnership. Senator Inouye praised her policy achievements in fiscal reforms, counterterrorism, and defense reform. She vowed to fight Abu Sayyaf terrorists "to the finish," and expressed support for beginning Free Trade Agreement (FTA) negotiations. Foreign Secretary Romulo briefed on his recent trip to Burma and expressed optimism that the regime would take steps in the right direction. End Summary.

[1](#)2. (SBU) In a ceremony at Malacanang Palace on August 14, President Gloria Macapagal Arroyo awarded Senator Daniel K. Inouye the Order of Lakandula in recognition of his contributions to the U.S.-Philippines partnership, his role as a distinguished WWII veteran, and his support for Philippine veterans. She called Senator Inouye "one of the best friends" of the Philippines. Accompanying the Senator were Legislative Director Blanco, Defense Appropriation Subcommittee Staff Director Houy, as well as the Charge d' Affaires, POL/C, JUSMAG Chief, and Department of Veterans Affairs Office Director. Joining the President were Executive Secretary Ermita, Foreign Secretary Romulo, Defense Secretary Cruz, Senate President Villar, Assistant Secretary

SIPDIS
of Foreign Affairs for the Americas Carandang, Department of Foreign Affairs North American Division Director De Vega, as well as the former Ambassador to the U.S. Del Rosario and former POL/C Lourdes Yparraguirre.

Domestic Issues

[1](#)3. (SBU) In addition to expressing thanks and his sense of honor at the award, Senator Inouye cited President Arroyo's "political courage" in pushing through many important measures, such as raising taxes. President Arroyo said business people talk of a "sea change" in the Philippines and were now more confident about its economic future and investment climate. She noted the GRP had exceeded initial revenue targets, while interest on debt was down dramatically. The National Power Corporation was now running without a loss for the first time in years. These fiscal returns enabled the GRP to undertake long delayed infrastructure investments, as she laid out in her July 24 State of the Nation Address (ref A).

14. (SBU) Charge noted U.S. business representatives were pleased that Trade Secretary Favila had requested their views on reducing bureaucratic "red tape." President Arroyo announced a Summit on Competitiveness would be held in September to seek further progress in improving the business climate. She voiced strong support for an FTA with the U.S., urging that we begin negotiating soon, even if they take some time to complete. She also described the important role of 8 million overseas Filipino workers, including in the U.S., the Middle East, and 140 countries.

Counterterrorism

15. (SBU) Senator Inouye praised the Philippine Defense Reform (PDR) program, on which Secretary Cruz had briefed him earlier that day. President Arroyo expressed thanks for U.S. defense assistance, which she highlighted had grown significantly since 2001. Charge noted that the GRP paid the vast majority of PDR costs; President Arroyo estimated GRP contributions at 5 billion pesos (\$97m) per year. (Note: This figure likely includes expenditures on the Capability Upgrade Program. End note.)

16. (SBU) Senator Inouye also complimented the GRP strategy on counter-terrorism, calling it the "Philippines model" -- a combination of military efforts and humanitarian programs. The Senator suggested he would encourage more Codels to visit and see this model for themselves. President Arroyo called it a "two-handed" approach, combining a hand of friendship with a hand of law and order. She noted the three year durable ceasefire with the Moro Islamic Liberation Front (MILF) and praised MILF cooperation against terrorists, kidnappers, and criminals. She expressed hope that the Moro National Liberation Front (MNLF) on Jolo, where a major

MANILA 00003450 002 OF 002

offensive by the Armed Forces of the Philippines (AFP) against Jemaah Islamiyah and Abu Sayyaf Group leaders continues, would provide similar cooperation (ref B). She said she had sent AFP Chief of Staff General Esperon to Jolo with instructions to "finish the fight." She also praised the contributions to peace of USAID's LEAP Program in reintegrating 28,000 MNLF insurgents. She noted, however, that the MNLF now wanted the release of its imprisoned leader Nur Misuari, about which she wanted to consult with friends and allies, in return for full cooperation against terrorists. She asked Senate President Villar if he would support such a move, but he was non-committal. Secretary Romulo described MNLF opposition to the Philippines' bid to gain Organization of the Islamic Conference (OIC) observer status.

17. (SBU) President Arroyo also commented that U.S.-Philippines intelligence cooperation was proceeding well. She noted counterterrorism collaboration with the U.S. and Australia. Secretary Cruz described on-going Status of Forces Agreement negotiations with Australia and predicted an agreement with Brunei even sooner.

18. (SBU) Senator Inouye said he understood that morale was improving among AFP troops, which President Arroyo attributed to better and more equipment and improved first aid. Secretary Cruz also cited more regular training and practice

SIPDIS

as factors. Charge noted that local communities on Jolo also were receptive to the AFP during current operations; Secretary Cruz agreed this was encouraging.

SIPDIS

Burma

¶9. (SBU) President Arroyo noted that Secretary Romulo had just visited Burma in one of his first acts since the Philippines assumed the ASEAN Chair. Secretary Romulo praised President Arroyo's consistent leadership on Burma, including breaking with ASEAN consensus in order to support UN Security Council consideration. He reported on his visit to the new capital of Burma, where the "entire junta" had received him. He extended President Arroyo's invitation to Than Shwe to attend the ASEAN Summit in Cebu in December, and commented that, if he attends, it would be a clear signal that Burma intended to make progress on the roadmap. President Arroyo commented that he had stayed away for several years, since he did not want criticism for having "nothing to report." Secretary Romulo claimed he also found it hopeful that Burma was building a convention center in the new capital for completion by 2008, another signal Burma might seek ASEAN Chairmanship after Singapore, once it had advanced on the roadmap. Burmese leaders had assured Romulo they would try to convene a national convention and forge national reconciliation. He said the Burmese leaders told him they had already tried Western democracy and then socialist democracy and now wanted to seek another format. President Arroyo commented on "intense debate" among Burmese policy makers, while Romulo pointed to the fate of Khin Nyunt as a sign of what happens to the defeated.

¶10. (SBU) President Arroyo voiced support for release of Aung San Suu Kyi and political prisoners. She noted, however, that five ASEAN leaders meeting recently in Brunei had pondered what role ASEAN could realistically play in influencing positive change in Burma, when even the "Great Powers" were unable to convince the regime. She said ASEAN's influence lies partly in Burma realizing that fellow ASEAN members, as neighbors, have Burma's interest at heart.

¶11. Senator Inouye did not have an opportunity to clear this message.
Jones